Carleton Place & District Memorial Hospital
Financial Statements
For the Year Ended March 31, 2020

Contents

Management's Responsibility for the Financial Statements

The accompanying financial statements are prepared in accordance with Canadian public sector accounting standards.

The financial statements are the responsibility of management and have been approved by the board of directors.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the Hospital's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the financial statements are based on reliable accounting records.

The Hospital's power and responsibilities are exercised by the board of directors.

The responsibilities of the Boad of Directors include overseeing financial reporting and presentation procedures, which includes reviewing and approving the financial statements.

The independent auditor, BDO Canada LLP, has audited the financial statements and presented the following report.

Mary Wilson Trider

Mary Wilson Trider, FCPA, FCA
President & CEO

Kimberley Harbord, CPA, CGA, MBA
Vice President Finance & CFO

Carleton Place, Ontario
June 24, 2020

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Independent Auditor's Report

To the Board of Directors of Carleton Place & District Memorial Hospital

Opinion

We have audited the financial statements of Carleton Place & District Memorial Hospital (the "Hospital"), which comprise the statement of financial position as at March 31, 2020, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2020, and its results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Hospital for the year ended March 31, 2019, were audited by another auditor who expressed an unqualified opinion on those statements on June 6, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 24, 2020

Carleton Place & District Memorial Hospital
Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash and cash equivalents	$ 1,319,928	$ 2,170,637
Accounts receivable (Note 2)	405,773	498,742
Inventories	172,165	121,080
Prepaid expenses	158,168	154,515
	2,056,034	2,944,974
Restricted cash equivalents (Note 3)	1,134,356	1,175,108
Capital Assets (Note 4)	7,921,978	8,182,339
	$11,112,368	$ 12,302,421
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	$ 1,178,968	$ 2,124,531
Deferred contributions (Note 6)	1,312,883	1,345,722
Deferred contributions related to capital assets (Note 7)	7,126,432	7,281,096
Employee future benefits (Note 8)	370,300	363,200
	9,988,583	11,114,549
Net Assets		
Invested in Capital Assets	795,546	901,243
Unrestricted	328,239	286,629
	1,123,785	1,187,872
	$11,112,368	$ 12,302,421

Contractual obligations (Note 10)
Contingencies (Note 12)

On behalf of the Board:

Carol Anne Eshard Director

Director

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2020 Total	2019 Total
Balance, beginning of the year	$ 901,243	$ 286,629	$ 1,187,872	$ 1,218,747
Deficiency of revenues over expenses	-	(64,087)	(64,087)	(30,875)
Amortization of deferred contributions related to capital assets	684,546	(684,546)	-	-
Amortization of capital assets	(912,664)	912,664	-	-
Purchase of capital assets	652,303	(652,303)	-	-
Amounts funded by deferred capital contributions	(529,882)	529,882	-	-
Balance, end of the year	$ 795,546	$ 328,239	$ 1,123,785	$ 1,187,872

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital
Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Ministry of Health and Long-Term Care	$10,703,170	$ 10,378,091
Other patient services	3,110,248	3,017,281
Other funding	836,801	621,468
Amortization of deferred contributions related to equipment and software	399,476	420,501
	15,049,695	14,437,341
Expenses		
Salaries and wages	6,666,473	6,421,126
Employee benefits	1,858,617	1,753,405
Medical staff remuneration	2,399,801	2,419,198
Medical and surgical supplies	302,789	280,594
Drugs and medical gases	273,013	244,299
General supplies	2,978,394	2,672,160
Amortization of equipment and software	538,218	585,374
	15,017,305	14,376,156
Excess of revenue over expenses from operations	32,390	61,185
Other votes		
Revenue	3,150	3,150
Expenses	(3,150)	(3,723)
Excess of revenue over expenses from operations and other votes	32,390	60,612
Other income and expenses		
Amortization of deferred contributions related to buildings	285,070	289,779
Amortization of buildings and land improvements	(374,447)	(373,166)
Change in employee future benefits liability	(7,100)	(8,100)
Deficiency of revenues over expenses	$ (64,087)	$ (30,875)

The accompanying notes are an integral part of these financial statements.

Carleton Place & District Memorial Hospital
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Deficiency of revenues over expenses	$ (64,087)	$ (30,875)
Items not affecting cash:		
Amortization of deferred contributions related to capital assets	(684,546)	(710,280)
Amortization of capital assets	912,664	958,540
Increase in employee future benefits	7,100	1,000
	171,131	218,385
Changes in non-cash working capital:		
Accounts receivable	92,969	(231,945)
Inventories	(51,085)	(21,352)
Prepaid expenses	(3,653)	(10,341)
Accounts payable and accrued liabilities	(945,563)	571,131
Deferred contributions	(32,839)	(22,905)
	(769,040)	502,973
Cash flows from investing activities		
Purchase of capital assets	(652,303)	(1,976,829)
Change in restricted cash equivalents	40,752	25,409
	(611,551)	(1,951,420)
Cash flows from financing activities		
Deferred contributions related to capital assets received	529,882	1,909,623
Net (decrease) increase in cash and cash equivalents	(850,709)	461,176
Cash and cash equivalents, beginning of the year	2,170,637	1,709,461
Cash and cash equivalents, end of the year	$ 1,319,928	$ 2,170,637

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Nature and Purpose of Organization	The Carleton Place & District Memorial Hospital (the "Hospital"), established in 1955, provides health care services to the residents of the Town of Carleton Place and surrounding areas. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes under the Income Tax Act (Canada).
Basis of Presentation	The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Carleton Place & Disctrict Memorial Hospital Foundation is a separate entity whose financial information is reported separately from the Hospital.
Contributed Services	Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.
Cash and cash equivalents	Cash and cash equivalents includes cash on hand and short-term highly liquid investments with original maturities of three months or less or cashable on demand.
Revenue Recognition	The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health ("MOH"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2020 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOH. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

If the Hospital does not meet its performance standards, or obligations, the MOH has the right to adjust funding received by the Hospital. The MOH is not required to communicate certain funding adjustments until after the submission of the year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of MOH funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the MOH as part of operations and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Revenue from other patient services is recognized when the service is provided.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

1. Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated as follows:

Land improvements	3 to 25 years
Buildings	10 to 40 years
Hospital equipment	3 to 25 years
Software licenses	3 to 10 years

Retirement and Post-Employment Benefits

The Hospital provides defined retirement and post-employement benefits to certain employee groups. These benefits include pension, health and dental. The Hospital has adopted the following policies with respoect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The discount rate used in the determination of the above mentioned liabilities is equal to the MOH's recommendation, which the Hospital has chosen to adopt.

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at this cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its cash and cash equivalents at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. The Hospital does not have any amounts to record on the statement of remeasurement gains and losses and therefore this statement has not been included in these financial statements.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require the Hospital to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Areas of key estimates include determination of allowance for doubtful accounts, useful lives of capital assets and actuarial estimation of employee future benefits.

2. Accounts Receivable

	2020	2019
Patient related	$ 153,001	$ 301,590
Client billing	41,520	71,702
CPDMH Foundation	44,867	47,715
CPDMH Auxiliary	-	65,000
Other	191,385	42,735
Less: allowance for doubtful accounts	(25,000)	(30,000)
	$ 405,773	$ 498,742

3. Restricted Cash Equivalents

Restricted cash equivalents relates to funding received for the purpose of the new emergency department.

At March 31, 2020, the Hospital holds a cashable guaranteed investment certificate with interest of 1.92% (2019 - 1.35%) per annum and a maturity date of August 13, 2020 (2019 - May 7, 2019).

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 75,015	$ -	$ 75,015	$ -
Land improvements	334,666	316,187	323,725	313,831
Buildings	9,792,443	5,971,840	9,526,741	5,599,750
Hospital equipment	7,097,891	5,471,579	6,921,037	5,138,578
Software licenses	3,152,007	1,639,380	3,011,867	1,434,163
Construction in progress	868,942	-	810,276	-
	21,320,964	13,398,986	20,668,661	12,486,322
		$ 7,921,978		$ 8,182,339

5. Bank Indebtedness

The Hospital has an available line of credit of $750,000 with its corporate banker. This line of credit is unsecured and bears interest at prime less 0.50%. The Hospital also has a revolving term loan facility with a maximum credit of $500,000 which bears interest at prime plus an applicable spread dependent on the amount drawn. At March 31, 2020, no amounts were withdrawn on the line of credit or the revolving term loan facility.

6. Deferred Contributions

Deferred contributions represent contributions received for expenses that will be incurred in the following years. The deferred contributions consist of the following:

	2020	2019
Redevelopment grant	$ 164,495	$ 156,582
Website development donations	14,032	14,032
New emergency department grant	1,134,356	1,175,108
	$ 1,312,883	$ 1,345,722

Changes in the contributions deferred to future periods are as follows:

Balance, beginning of year	$ 1,345,722	$ 1,368,627
Add: amount received during the year	25,827	17,267
Less: transfer to deferred contributions related to capital assets	(58,666)	(40,172)
Balance, end of year	$ 1,312,883	$ 1,345,722

7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the period are as follows:

	2020	2019
Beginning balance	$ 7,281,096	$ 6,081,753
Add: contributions received during the year	471,216	1,869,451
Add: transfer from deferred contributions	58,666	40,172
Less: amounts amortized to revenue	(684,546)	(710,280)
Ending balance	$ 7,126,432	$ 7,281,096

8. Employee Future Benefits

Post-Retirement Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at March 31, 2018, and an extrapolation of the results was performed to obtain an estimate as at March 31, 2020.

Accrued Benefits Liability
The reconciliation of the actuarially determined accrued benefit obligation to the amount recorded in the financial statements is as follows:

	2020	2019
Accrued benefit obligation	$ 341,500	$ 339,200
Unamortized actuarial gains	28,800	24,000
Accrued benefit liability	$ 370,300	$ 363,200

Significant assumptions
The significant actuarial assumptions and economic factors adopted in estimating the Hospital's accrued benefit obligations are as follows. All rates and percentages are annualized.

	2020	2019
Discount rate	3.29 %	3.37 %
Dental cost trend rate	2.75 %	2.75 %
Extended health care trend rate[1]	6.00 %	6.25 %

[1] Decreasing by 0.25% per year to an ultimate rate of 4.50%.

Benefits Expense
Included in the statement of operations is a benefit expense of $37,900 (2019 - $37,500). This expense is comprised of the following:

	2020	2019
Current period benefit cost	$ 18,700	$ 18,100
Amortization of actuarial losses	7,700	7,700
Post-retirement benefit interest expense	11,500	11,700
Benefits expense	$ 37,900	$ 37,500

8. Employee Future Benefits (continued)

Hospital of Ontario Pension Plan ("HOOPP")

HOOPP provides pension services to more than 381,000 members and approximately 594 employers. Substantially all of employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2019 disclosed a surplus of $20,555 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of $160,271 million in respect of benefits accrued for service with actuarial assets at that date of $180,826 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the HOOPP surplus or deficit. Contributions by the Hospital to the plan during the year by the Hospital amounted to $528,258 (2019 - $521,399).

9. Related Party Transactions

The Carleton Place & District Memorial Hospital Foundation (the "Foundation") is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. The Foundation receives and maintains funds for charitable purposes, which it donates to the Hospital for the use of operations, renovations, maintenance and equipment of the Hospital.

During the year ended March 31, 2020, the Hospital received contributions of $78,982 (2019 - $489,009) from the Foundation and Auxiliary.

10. Contractual Obligations

As of March 31, 2020, the Hospital has the following contractual obligations under operating leases for the next five years:

2021	$	134,424
2022	$	110,546
2023	$	110,546
2024	$	110,546
2025	$	110,546

11. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable. The Hospital is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and deposits are only insured up to $100,000.

The majority of the Hospital's receivables are from government sources and the Hospital works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The maximum exposure to accounts receivable credit risk would be the carrying value of $405,773 (2019 - $498,742).

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital’s historical experience regarding collections. The amounts outstanding at year end were as follows:

As at March 31, 2020			Past due			
	Total	0-30 days	30-60 days	61-90 days	91-120 days	Over 120 days
Patient related	$ 153,001	$ 56,717	$ 57,544	$ 12,019	$ 3,460	$ 23,261
Client billing	41,520	35,766	1,902	1,052	351	2,449
Foundation	44,867	44,867	-	-	-	-
Others	191,385	191,385	-	-	-	-
Gross receivables	430,773	328,735	59,446	13,071	3,811	25,710
Less: impairment allowances	(25,000)	-	-	-	-	(25,000)
Net receivables	$ 405,773	$ 328,735	$ 59,446	$ 13,071	$ 3,811	$ 710

11. Financial Instruments (continued)

As at March 31, 2019			Past due			
	Total	0-30 days	30-60 days	61-90 days	91-120 days	Over 120 days
Patient related	$ 301,590	$ 79,221	$ 68,935	$ 29,129	$ 18,507	$ 105,798
Client billing	71,702	29,380	26,341	11,760	496	3,725
Foundation	47,715	46,472	1,243	-	-	-
Auxiliary	65,000	65,000	-	-	-	-
Others	42,735	42,735	-	-	-	-
Gross receivables	528,742	262,808	96,519	40,889	19,003	109,523
Less: impairment allowances	(30,000)	-	-	-	-	(30,000)
Net receivables	$ 498,742	$ 262,808	$ 96,519	$ 40,889	$ 19,003	$ 79,523

The amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment.

Liquidity risk

Liquidity risk is the risk that the Hospital will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Hospital will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Hospital is exposed to this risk mainly in respect of its accounts payable.

The Hospital's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Hospital maintains most of its invested assets in liquid securities.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Hospital is exposed to interest rate risk on its garanteed investment certificate and its employee future benefit obligation.

There have been no changes in the financial instruments risks from the prior year.

12. Contingencies

The nature of the Hospital's activities is such that there is potentially litigation pending or in prospect at any time. Management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, Management believes that such claims are not expected to have a material effect on the Hospital's financial position. There are no claims outstanding at March 31, 2020.

A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2020.

13. Uncertainty Related to COVID-19

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Hospital implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Hospital, including the cancellation of elective surgeries and the transfer of alternative level of care patients to other facilities; and
- The implementation of working from home requirements for certain hospital employees.

As a result of these actions, the Hospital experienced decreases in operating revenues and increases in operating costs.

a) Current year transactions:

For the year ended March 31, 2020, the Ministry of Health of Ontario has allowed Ontario Hospitals to redirect unused amounts from certain funded programs towards COVID-related expenses. In the year, the Hospital has recognized $20,565 of revenue from these programs which have been recorded in other funding. The Hospital incurred loss of revenue of $47,456 and related COVID-19 expenses of $60,038. These amounts have been recorded in other funding, salary, benefits, & medical and surgical supplies in the statement of operations.

13. Subsequent event (continued)

b) Subsequent events related to COVID-19:

The Ministry has also committed to providing additional funding to Ontario Hospitals for COVID-related operating and capital costs in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for this funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

14. Comparative Figures

Certain figures for the previous year have been reclassified to conform to the presentation adopted in the current year.